

Message Text

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C O N F I D E N T I A L COPENHAGEN 5326

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SUBJ: FINANCE MINISTER HEINESEN COMMENTS ON DOMESTIC AND
INTERNATIONAL DEVELOPMENTS

REF : COPENHAGEN 5325

SUMMARY: DURING A CALL BY AMBASSADOR MANSHEL ON AUGUST 16, DANISH FINANCE MINISTER HEINESEN DISCUSSED THE GOVERNMENT'S JUST ISSUED BUDGET PROPOSAL FOR CALENDAR YEAR 1979, CURRENT TALKS BETWEEN THE SOCIAL DEMOCRATS AND LIBERALS ON THE FORMATION OF A COALITION GOVERNMENT, THE INTERNATIONAL MONETARY SITUATION, AND U.S.-DANISH OFFICIAL CONTACTS. END SUMMARY.

1. IN A DISCUSSION WITH AMBASSADOR MANSHEL ON AUGUST 16, HEINSEN DESCRIBED THE GOVERNMENT'S PROPOSED BUDGET FOR 1979 BEGINNING ON JANUARY 1, 1979, (THE DANISH FISCAL AND CALENDAR YEARS WILL COINCIDE) AS LARGELY A PAPER EXERCISE. IT WAS ISSUED, HE SAID, TO MEET THE STATUTORY REQUIREMENT OF PRESENTING THE BUDGET BILL AT LEAST FOUR MONTHS IN ADVANCE OF THE DATE IT IS TO TAKE EFFECT. INASMUCH AS THE BILL WAS SENT TO THE PRINTERS IN JUNE, IT DOES NOT NOW REFLECT CURRENT ECONOMIC AND POLITICAL REALITIES. SPECIFICALLY, HEINESEN SAID SOMETHING WOULD HAVE TO BE DONE TO ELIMINATE THE ADVERSE BALANCE OF PAY-
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MENTS EFFECTS THAT A PROJECTED 4.5 PERCENT RISE IN CONSUMER SPENDING WOULD HAVE. THE GOVERNMENT, HE SAID, IS DETERMINED TO REDUCE THE EXTERNAL DEFICIT BY ONE BILLION DANISH KRONER IN 1979.

2. HEINESEN SAID THAT THE FINAL SHAPE OF THE BUDGET MAY WELL EVOLVE FROM CURRENT TALKS BY THE SOCIAL DEMOCRATS AND THE LIBERALS ON THE FORMATION OF A COALITION GOVERNMENT. IN A FRANK

ASSESSMENT OF THESE NEGOTIATIONS, HE ESTIMATED THE CHANCES FOR SUCCESS AS SOMETHING BETTER THAN 50-50. THE TWO PARTIES, HE SAID, AGREE FULLY IN THEIR EVALUATION OF THE CURRENT ECONOMIC SITUATION AND IN GENERAL ON THE NATURE OF THE REMEDIES REQUIRED. THEIR DIFFERENCES ARISE OVER SPECIFIC APPLICATION OF FISCAL AND INCOMES MEASURES.

3. ACCORDING TO HEINESSEN, THE OUTCOME OF THE POLITICAL TALKS WILL BE DETERMINED WITHIN THE NEXT TEN DAYS. ONE OF THE OBSTACLES, HE SAID, IS THAT THE SOCIAL DEMOCRATS IN DENMARK, UNLIKE THEIR BROTHERS IN WEST GERMANY, LACK EXPERIENCE IN COALITION WITH BOURGEOIS PARTIES. HEINESSEN STATED THAT THE SOCIAL DEMOCRATS WOULD NOT ALLOW DIFFERENCES OF VIEWS OVER CONSTRUCTION OF THE GREAT BELT BRIDGE TO WRECK THE COALITION NEGOTIATIONS. IF NECESSARY, THE SOCIAL DEMOCRATS WOULD GIVE IN TO LIBERAL OPPOSITION TO THE BRIDGE DESPITE THEIR CONVICTION THAT THE BRIDGE IS NEEDED NOW TO PROVIDE EMPLOYMENT AND INITIATE THE ECONOMIC DEVELOPMENT THAT WOULD FOLLOW FROM A ZEALAND-FUNEN-SOUTHERN JUTLAND-HAMBURG LINK.

4. IF THE CURRENT SOCIAL DEMOCRAT-LIBERAL TALKS DO NOT SUCCEED, HEINESSEN PREDICTED NATIONAL ELECTIONS IN NOVEMBER OR DECEMBER. HE ADMITTED THAT SUCH ELECTIONS WOULD NOT GREATLY ALTER THE PRESENT COMPLEXION OF PARLIAMENT. HE SAW AN ADVANTAGE, HOWEVER, IN THE FACT THAT A NEW GOVERNMENT WOULD HAVE FOUR YEARS IN WHICH

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TO WORK OUT ITS ECONOMIC POLICIES. THE PRESENT GOVERNMENT HAS ONLY SOME TWO YEARS LEFT BEFORE MANDATORY ELECTIONS TAKE PLACE, AND THIS HE SAID CONSTITUTES A REAL HANDICAP IN OBTAINING NECESSARY COOPERATION OF OTHER PARTIES IN THE PARLIAMENT.

5. CONCERNING INTERNATIONAL MONETARY MATTERS, HEINESSEN NOTED THAT DENMARK WAS CONCERNED OVER THE LONG-TERM PERFORMANCE OF THE U.S. DOLLAR, ALTHOUGH IT WAS EXPERIENCING NO REAL DIFFICULTY IN COPING WITH THE PRESENT NERVOUSNESS IN THE MARKET. AS A WEAKER-CURRENCY COUNTRY IN THE SNAKE, HOWEVER, DENMARK IS CONCERNED ABOUT THE DOLLAR'S CONTINUING DECLINE AND REMAINS CONVINCED THAT STABLE CURRENCIES ARE NECESSARY TO PROMOTE INTERNATIONAL TRADE.

6. HEINESSEN DOES NOT BELIEVE THAT CURRENT DEVELOPMENTS RE THE DOLLAR WILL SPEED UP EC MONETARY COOPERATION EFFORTS, THOUGH THE SITUATION MAY HELP PERSUADE LEADERS OF SOME MEMBER COUNTRIES OF THEIR UTILITY. FURTHER POLITICAL CONSIDERATION OF THE BREMEN PROPOSALS, HEINESSEN SAID, AWAITS THE RESULTS OF EXTENSIVE TECHNICAL STUDIES NOW IN PROGRESS. THESE STUDIES WILL BE REPORTED TO A MEETING OF EC FINANCE MINISTERS IN THE THIRD WEEK IN OCTOBER.

7. CONCERNING U.S.-DANISH BILATERAL CONTACTS, HEINESEN EXPRESSED APPRECIATION FOR CONSULTATIONS ON THE UNUSUALLY HIGH LEVEL THAT DANISH OFFICIALS, HE INCLUDED, HAD WITH THEIR U.S. COUNTERPARTS DURING THE RECENTLY CONCLUDED DANISH EC PRESIDENCY. HE ALSO THANKED AMBASSADOR MANSHEL FOR THE LATTER'S INTENTION TO KEEP THESE LINES OF COMMUNICATION OPEN.

8. COMMENT: HEINESEN'S ACCOUNT OF CURRENT POLITICAL TALKS IS THE MOST AUTHORITATIVE THE EMBASSY HAS HAD TO DATE. (HEINESEN HAS BEEN A PARTICIPANT IN THE TALKS.) IT CONFIRMS IN ALL MAJOR RESPECTS THE EARLIER APPRAISAL BY FOREIGN MINISTRY PERMANENT UNDER SECRETARY JORGENSEN (REFTEL) WHICH CONCLUDED THAT CHANCES FOR A COALITION GOVERNMENT AND AVOIDANCE OF FALL ELECTIONS ARE REASONABLY GOOD. HEINESEN'S RECEIVING THE AMBASSADOR SOON AFTER HIS
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ARRIVAL AND HIS CANDID DISCUSSIONS OF SUBSTANTIVE ISSUES ARE FURTHER EVIDENCE OF THE DANISH GOVERNMENT'S DESIRE TO MAINTAIN AN OPEN DIALOGUE WITH THE U.S. ON MATTERS OF MUTUAL INTEREST.
MANSHEL

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